

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name TUSCOLA COUNTY HEALTH DEPARTMENT	County TUSCOLA
Audit Date 9/30/05	Coincidence Date 12/15/05	Date Accountant Report Submitted to State 2/20/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements, (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).	✓		

Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.			
Street Address 4855 STATE STREET	City SAGINAW	State MI	ZIP 48603
Accountant Signature <i>Stephen A. Thomas</i>		Date 2/20/06	

TUSCOLA COUNTY HEALTH DEPARTMENT
CARO, MICHIGAN

FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

December 15, 2005

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities of Tuscola County Health Department, a component unit of County of Tuscola, Michigan, as of and for the year ended September 30, 2005, which comprise the Health Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Tuscola County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscola County Health Department as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2005, on our consideration of Tuscola County Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gardner, Provenzano, Schaunon & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Our discussion and analysis of the Tuscola County Health Department's financial performance provides an overview of the Health Department's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with the Health Department's financial statements which begin on page 11.

Financial Highlights

- Emergency preparedness funding declined from the 2003/2004 level to \$100,000 for fiscal year 2004/2005. The majority of available funds were used for coordination services with a minimal amount earmarked for tabletop exercises and other training. By January, additional funding became available which increased our allocation by \$81,239. The additional funding was used for surveillance and epidemiology, video-conferencing equipment, computer firewall testing, and additional education and training projects.
- Michigan Department of Community Health agreed to fund the AIDS/HIV Prevention program for three months only (October through December), allocating \$2,062. Local Tobacco Reduction funding was decreased by \$1,000 to a level of \$14,000 for the entire fiscal year. Local Public Health Operations funding was reduced by \$3,776, which decreased funding available for the Hearing and Vision Programs. The Family Planning allocation was reduced by \$3,700. The Children's Trust Fund allocation for our 0-3 Program was also reduced by \$2,500 from the previous fiscal year. The Cigarette Tax portion allocated to the Health Department decreased by \$1,081; and we were notified that beginning May 1st, all Medicaid revenue would be reduced by 4%. All staffing levels were adjusted appropriately.
- We were notified by Michigan Department of Community Health, that additional funds were available for Children's Special Health Care Services to provide additional outreach and advocacy services, in the amount of \$6,505. Also, our WIC allocation was increased by \$16,340, allowing us to add some additional staff hours.
- The Department of Environmental Quality contract was amended to reflect additional funding for the Non-community Water Operator Certifications in the amount of \$11,475. The DEQ contract was further amended to reimburse Environmental Health for inspecting septage land disposal sites, vehicles, and receiving facilities. We earned \$4,520 for this program.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Financial Highlights (continued)

- General Motors Corporation, Saginaw Metal Casting Operations, donated a Mercury Analyzer to Environmental Health, along with a check for \$1,133 to purchase replacement batteries and future calibration of the analyzer.
- Funding became available from the Michigan Office of Highway Safety Planning for a Child Car Seat Safety Program. We received \$1,003 to purchase approved child safety seats and distribute them to families in need.
- The Tuscola County Community Foundation provided our Abstinence Program with a grant for \$3,000 to provide food for summer day camps and incentives for youth involvement in the program.
- One of the vehicles in our pool, a 1993 Cavalier, had to be replaced. We were given permission to obtain bids at governmental pricing to replace the Environmental Health vehicle, and purchase one additional vehicle to be used for Public Health programs. We were able to purchase two 2006 vehicles under the Michigan Department of Management and Budget Extended Purchasing Program, for a total of \$22,538.
- Due to noise problems, confidentiality and safety issues, it was necessary to complete a renovation project in the front lobby area. Tempered safety glass with several workstation sliding windows and one double-hung window was installed, for a total of \$5,279.
- As Blue Cross rates continued to increase, the Employee Personnel Committee was given the task to investigate other insurance alternatives. It was proposed and approved by the Board of Health, to purchase insurance available through the Municipal Employees Retirement System called "MERS Premier Health". This is a new two tiered PPOM plan, offering a 90/10 base policy with prescription, vision and dental coverage free of charge to interested employees, and an upgraded version available for those wishing to pay the difference. This change in health plans saved our agency \$9,448 and provided better coverage to employees. The new plan was implemented on July 1st.
- Revenue and other financing sources increased and expenditures were adjusted to a level which resulted in an overall increase to the fund balance of \$46,949.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Tuscola County Health Department, a component unit of the Tuscola County, as a whole and present a longer-term view of the Tuscola County Health Department's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Tuscola County Health Department's operations in more detail than the government-wide financial statements.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Health department's finances is, "Is the Health Department better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Tuscola County Health Department as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Department's net assets and changes in them. You can think of the Health Department's net assets, the difference between assets and liabilities, as one way to measure the Health Department's financial health, or financial position. Over time, increases or decreases in the Health Department's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Health department. At this time, the Health Department only engages in governmental activities.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

THE HEALTH DEPARTMENT AS A WHOLE

The Health Department's net assets increased \$45,623 from a year ago. This increase was a result of revenue exceeding expenditures in this fiscal year.

Table 1 Net Assets

As of September 30,	Governmental Activities	
	2005	2004
Current and other assets	\$ 805,447	\$ 856,273
Capital assets	212,669	204,646
Total assets	1,018,116	1,060,919
Long-term liabilities outstanding	95,322	85,973
Other liabilities	115,662	213,337
Total liabilities	210,884	299,310
Net assets:		
Invested in capital assets, net of related debt	212,669	204,646
Unrestricted	594,563	556,963
Total net assets, restated	\$ 807,232	\$ 761,609

Table 2 Changes in Net Assets

For the year ended September 30,	Governmental Activities	
	2005	2004
Program revenue		
Charges for services	\$ 733,491	\$ 701,950
Operating grants and contributions	1,051,918	1,039,893
General revenue		
County Appropriations	389,210	386,550
Interest and rents	1,735	450
Other Revenues	378,161	385,941
Special item-loss on disposal of capital assets	(32)	(15,565)
Total revenue	2,554,483	2,499,219
Program expense		
Health department	2,508,860	2,386,688
Total expenses	2,508,860	2,386,688
Increase (decrease) in net assets	\$ 45,623	\$ 112,531

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS

Our analysis of the Health Department's only fund, a governmental special revenue fund of Tuscola County is defined below:

- **Governmental funds-** All of the Health Department's services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. The governmental fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Health Department's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund statements.

ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND

- The Fund Balance increased by \$46,949 as a result of revenue and other funding sources exceeding expenditures in fiscal year 2004/2005. The undesignated general fund balance was \$421,745 at September 30, 2005.
- Amounts designated as "Unreserved/Designated" by the Board of Health as of September 30, 2005 were:
 - The amount of compensated absence balance to be used for future payment of compensated annual leave; and 50% of the amount of sick leave balance for employees eligible to retire in fiscal year 2005/2006 - \$95,322
 - \$102,288 for future MERS-employer contributions
 - \$51,670 for implementation of the TCHD wage schedule
 - \$10,500 for Data Management/Capital Improvements
- Amounts designated as "Reserved" by the Board of Health as of September 30, 2005 were:
 - The amount in the "Children's Special Health Care Relief Fund" - \$341

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

**ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND
(continued)**

- The amount in the "United Way Blood-Lead Project" - \$1,406
- The amount in the "Mercury Analyzer Calibration Fund" - \$1,133
- The amount in the "Flexible Spending Account" for employee un-reimbursed medical expenses - \$5,480

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2005, the Tuscola County Health Department had \$212,669 invested in capital assets as follows:

	2005	2004
Building improvements	\$ 61,369	\$ 55,146
Computers and related equipment	295,664	297,240
Vehicles	43,489	30,808
Other equipment	172,417	184,207
Total	<u>572,939</u>	<u>567,401</u>
Less accumulated depreciation	(360,270)	(362,755)
Net fixed assets	<u>\$ 212,669</u>	<u>\$ 204,646</u>

Additional information on the Health Department's capital assets can be found in note 5.

Significant capital expenditures for the year ended September 30, 2005 are as follows:

- The purchase of video-conferencing equipment with Bioterrorism Emergency Preparedness funds in the amount of \$10,268
- The purchase of two 2006 vehicles with Environmental Health and Maternal/Infant Support funds in the amount of \$22,538
- A lobby area renovation project to install glass partitions for confidentiality and safety issues, in the amount of \$5,279

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

LONG-TERM DEBT

At year-end, the Tuscola County Health Department had the following long-term debt:

Compensated absences	\$	95,322
Total Long-term debt	\$	<u>95,322</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Health Department Board amended the budget to take into account events which had a significant impact on revenue and expenses. Budget line items were adjusted to reflect the most accurate information available.

FIRST BUDGET VERSUS FINAL BUDGET

A significant variance appears on the "Intergovernmental Federal/State" revenue line in the amount of \$81,727. We were notified in January 2005, that additional funding was available for Emergency Preparedness surveillance and epidemiology, video-conferencing equipment, computer firewall testing, and additional education and training projects.

The original budget line for "Supplies & Materials" expense was adjusted in the amount of \$44,282. We received additional funding from several sources that was earmarked for supply items. Drug and pharmaceutical costs increased for the Family Planning program that resulted in funds being transferred from other lines to the supply area.

"Capital Outlay" varied from the original budget by \$40,111 due to the purchase of two vehicles, video-conferencing equipment and renovation of the front lobby area. Funds were transferred from other lines and covered by the additional Emergency Preparedness allocation.

Other less significant changes occurred in both revenues and expenditures, resulting in the overall variance from the original budget to the final revised budget.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FINAL BUDGET VERSUS ACTUAL RESULTS

On the revenue side, a significant variance appears on the "Intergovernmental Federal/State" revenue line, which compares the final revised budget to actual revenue received. This variance occurred due to the requirement that we report the value of VFC vaccine provided by Michigan Department of Community Health, in our financial statements. Previously, we did not include this value in our budgets, but intend to do so in the future.

"Supplies & Materials" costs also showed a variance due to reporting the value of VFC vaccine on the expense side, but not in our budget. In the future, we will include the value in our budget expense projections for the Immunization Program.

One last mentionable variance from the final revised budget to actual expense occurred in "Other Expenses". Agency Support, Immunizations and Communicable Disease programs did not spend all of their allocations in this line.

Other less significant changes occurred, plus and minus, in both revenues and expenditures, resulting in the overall variance from the final revised budget to actual.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Health Department's Board of Health and administrative staff considered many factors when developing fiscal year 2005/2006 budget plan. Information available from the Michigan Department of Community Health was limited as to funding levels and programs that were in question for continued funding. Fees were reviewed, and the quantity of services delivered and revenue generated were calculated.
- One budget priority was to keep the wage schedule current yet manageable, with expected funding levels. The Board of Health approved a 2% pay increase, effective October 1, 2005.
- The Municipal Employees' Retirement System (MERS) Annual Actuarial Valuation Report was received stating our agency is now funded at a 94.1% level. The employer contribution beginning January 1, 2006 will increase to 8.73% from 8.36% or \$102,288 for fiscal year 2005/2006. This increase was factored into the 2005/2006 continuation budget.

**TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES
(continued)**

- A capital improvement issue needed to be addressed, as problems continued with the Health Department's front entrance doors. The locking mechanisms were no longer reliable, and handicap access was a problem. The Board of Health approved \$10,500 to be designated for upgrading three entrance doors and install handicap operators on the center lobby doors. This project should be completed in early 2006.
- We learned our computer software company, CMHC, has been acquired by Netsmart Technologies. Netsmart stated they would continue to support our current CMHC-MIS system for at least five years, but would commit their resources to developing a product containing the best elements of CMHC-MIS and the current Netsmart Avatar product. It is clear we will need to make some type of financial commitment in the not to distant future, whether we stay with the current system, upgrade to the Avatar product, or look elsewhere. Realizing we must start planning for system changes, the Board of Health approved \$47,000 to be designated for future data management/capital improvements. We will continue to look for ways to build this fund to meet future needs.
- As always, consideration was given to the fact that the economy has a significant impact on funding we receive from all sources. The Board of Health and administrative staff will make adjustments to the agency budget as necessary to assure services are delivered in the most efficient manner with available funding.

**CONTACTING THE TUSCOLA COUNTY HEALTH DEPARTMENT'S
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Tuscola County Health Department's finances and to show the Tuscola County Health Department's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Fiscal Manager at 1309 Cleaver Rd., Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 616,841
Accounts receivable	75,845
Due from State of Michigan	4,045
Due from other governmental units	11,531
Due from other counties	26,402
Prepaid expenditures	39,251
Inventory	31,532
Total current assets	<u>805,447</u>
Noncurrent assets	
Net capital assets	<u>212,669</u>
Total noncurrent assets	<u>212,669</u>
Total assets	<u><u>\$ 1,018,116</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 48,472
Accrued wages payable	33,584
Accrued taxes payable	1,974
Deferred revenue	31,532
Total current liabilities	<u>115,562</u>
Noncurrent liabilities	
Accrued compensated absences	<u>95,322</u>
Total noncurrent liabilities	<u>95,322</u>
Total liabilities	<u>210,884</u>
NET ASSETS	
Invested in capital assets, net of related debt	212,669
Unrestricted	<u>594,563</u>
Total net assets	<u>807,232</u>
Total liabilities and net assets	<u><u>\$ 1,018,116</u></u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Program Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Programs				
Personal Health	\$ 1,661,903	\$ 511,552	\$ 780,177	\$ (370,174)
Environmental Health	356,108	221,939	90,502	(43,667)
Administration	241,585	-	-	(241,585)
Other	249,264	-	181,239	(68,025)
Total Governmental Activities	<u>\$ 2,508,860</u>	<u>\$ 733,491</u>	<u>\$ 1,051,918</u>	<u>\$ (723,451)</u>
General Revenues				
County Appropriations				389,210
Interest and rents				1,735
Other Revenues				<u>376,161</u>
Total General Revenues				<u>767,106</u>
Special Items				
Loss on disposal of capital assets				(32)
Change in net assets				45,623
Prior year adjustment				6,161
Net Assets-Beginning of the Year				755,448
Net Assets-End Of Year				<u>\$ 807,232</u>
Change in net assets				\$ 45,623
Amounts reported for governmental-wide statement of activities differ because:				
Capital outlays are reported as expenditures at the fund level				(40,299)
Depreciation is not reported at the fund level				32,244
Gains or losses from the disposal of capital assets are not reported at the fund level				32
The change in compensated absences is not recorded at the fund level				9,349
Excess of revenues and other financing sources over expenditures fund level				<u>\$ 46,949</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2005

	Governmental Fund Type
ASSETS	
Cash	\$ 616,841
Accounts receivable	75,845
Due from State of Michigan	4,045
Due from other governmental units	11,531
Due from other counties	26,402
Prepaid expenditures	39,251
Inventory	31,532
Total Assets	<u>\$ 805,447</u>
LIABILITIES	
Accounts payable	\$ 48,472
Accrued wages payable	33,584
Accrued taxes payable	1,974
Deferred revenue	31,532
Total Liabilities	<u>115,562</u>
FUND BALANCE	
Reserved	
Children's Special Health Care Relief Fund	341
United Way Blood-Lead Project	1,406
Mercury analyzer	1,133
Flexible spending	5,480
Designated	
Compensated Absences	95,322
Retirement contribution	102,288
Wage schedule Implementation	51,670
Data Mgt/capital Improvements	10,500
Unreserved Undesignated	421,745
Total Fund Balance	<u>689,885</u>
Total Liabilities and Fund Balance	<u>\$ 805,447</u>
Governmental Fund Balance	\$ 689,885
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not considered financial resources and therefore not reported in the funds.	212,669
Liabilities such as compensated absences are not due and payable in the current year and are not reported on a fund level.	(95,322)
Net Assets of Governmental Activities	<u>\$ 807,232</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund
<u>Revenues</u>	
Licenses and permits	\$ 210,356
Intergovernmental Federal/State	1,508,636
Charges for services	407,487
General contributions	10,402
Other	4,771
Total revenues	<u>2,141,652</u>
<u>Expenditures</u>	
Salaries and wages	1,296,129
Fringe benefits	372,739
Supplies and materials	354,978
Contractual	181,740
Legal	2,175
Health services	10,498
Telephone	13,164
Travel	66,375
Advertising	1,586
Insurance	29,599
Equipment repairs and maintenance	7,343
Central Service costs	13,463
Building lease and rentals	86,822
Capital outlay	40,299
Other	30,656
Total expenditures	<u>2,507,566</u>
Excess of revenues over (under) expenditures	(365,914)
<u>Other Financing Sources</u>	
Operating transfers in	
County appropriation in	389,210
Cigarette tax	23,653
Total other financing sources	<u>412,863</u>
Excess of revenues and other financing sources over expenditures	46,949
Fund Balance-beginning of the year as previously reported	636,775
Prior period adjustment	6,161
Fund balance-beginning of year	642,936
Fund balance- end of the year	<u>\$ 689,885</u>

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The accounting policies of the Tuscola County Health Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The Tuscola County Health Department (Health Department) is a component unit of the County of Tuscola, Michigan and operates under the legal supervision and control of the Tuscola county Board of Commissioners. The Tuscola County Board of Commissioners appoints the membership of the Board of Health (Board). The Board functions as the governing body of the Health Department. It sets policies and procedures and provides general oversight of the Health Department's operations in cooperation with the Tuscola County Board of Commissioners. The Health Department was established to protect the citizens of Tuscola County from disease, as well as to promote the general health and well-being of those citizens.

B. Basis of Presentation

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Tuscola County Health Department did not engage in any business-type activities for the year ended September 30, 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues for personal health and environmental health include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenue.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Fund Financial Statement:

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or within 60 days of the end of the current fiscal period. Revenues from grants designated for payment of specific program expenditures are recognized when the related expenditures are incurred. Outpatient fees are reported as income when earned and billed. Expenditures generally are recognized when the related fund liabilities are incurred. However, debt service expenditures, expenditures relating to long-term debt are recorded only when payment is due.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building improvements	5 to 15 years
Computers and related equipment	5 to 10 years
Vehicles	4 years
Other equipment	3 to 15 years

Encumbrances are recorded by purchase orders and contracts at the time of issue. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances lapse at the end of the fiscal year.

Compensated Absences (Vacation and Sick Leave)

The Health Department's personnel policy provides for the accumulation of compensated leave for vacation and sick days. The Health Department is contingently liable for vacation time and unused sick time only upon death or retirement. Employees of the Health Department are granted vacation leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at the current rate of pay for a maximum of 32 days. At September 30, 2005, accumulated vacation payable amounted to \$85,342. Upon retirement, employees are paid accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 900 hours (450 hours paid). At September 30, 2005, four employees were eligible for retirement and the accumulated sick leave payable amounted to \$9,980.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. At September 30, 2005, compensated absences were the only long-term obligation.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Health Department received monies from United Way to be used for emergency health care services for children. These monies are deposited into a separate bank account. Disbursements are made from this account by the Health Department as needed for emergency health care expenditures. At September 30, 2005, the balance in the "Children's Special Health Care Services Fund" was \$341, the United Way Blood-Lead Project was \$1,406, the Mercury Analyzer was \$1,133 and the Flexible spending was \$5,480.

During the current year, the Board of Health designated monies from the unreserved fund balance and set them aside for future use. As of September 30, 2005, \$102,288 had been designated for future MERS employer contributions, \$51,670 had been designated for implementation of a new wage schedule, \$95,322 for compensated absences, and \$10,500 for Data Management and Capital Improvements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Inventory

Inventory, which consists of VFC vaccine supplies, is valued at cost determined by the State of Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Health Department executives and directors meet to identify staffing and expenditures necessary to meet minimum program requirements and identify all applicable revenue sources, i.e. Fees, and Local, State, and Federal funding. A review of actual financial data from the most recent fiscal year is made and costs are updated to reflect known increases. The Finance Director then prepares draft budgets for each cost center. These drafts are then reviewed by the appropriate department executive and/or director, and suggested adjustments are made. The budget is then presented for review and recommendation to the full Board of Health. The Board of Health approves the proposed total agency budget on the same basis of accounting as the financial statement presentation, which is reflected in the Board of Health meeting minutes. The budget is adopted at the fund level. Approved budgets are then submitted to the appropriate grantor agencies.

Budget amendments are initiated upon semi-annual review of the budget to actual revenue and/or expenditures. A meeting is held to discuss necessary changes with the department executive and/or director. Budget amendments are then presented to the Health Officer for review. Upon approval of the Health Officer, the amended budget is then presented for review and recommendations to the full Board of Health. The Board of Health approves the amended budget and the approved amendment is reflected in meeting minutes. The approved amended budget is then submitted to appropriate grantor agencies.

Budget variances are illustrated in the supplemental information section.

NOTE 3--Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 3—Deposits and Investments (continued)

The Health Department's cash consists of cash on hand and demand deposits. In accordance with the statutes of the State of Michigan, all cash received by the Health Department is transferred to the Treasurer of the County of Tuscola for deposit and investment of excess cash. The detail of cash at September 30, 2005 is as follows:

Petty cash – The Health Department maintained a cash balance of \$440.

Deposits – The carrying amount of the Health Department's deposits (checking accounts, etc.) was \$23,836 with a corresponding bank balance of \$138,534. Of that balance, \$100,000 was insured.

Deposits with County of Tuscola – The amount of the Health Department's deposits with the County of Tuscola was \$586,824. The County of Tuscola's cash and investments were not audited as of September 30, 2005. Therefore, the categorization into risk levels of the cash and investments could not reasonably be determined.

The Health Department's investment policy authorizes all of the above listed investments as authorized by Treasury.

NOTE 4—Receivables

Receivables as of year-end for the government's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 75,845
Due from State of Michigan	4,045
Due from other governmental units	11,531
Due from other counties	26,402
	<u>\$ 117,823</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of vaccine not used.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Balance 10/1/2004	Additions	Disposals	Balance 9/30/2005
Building improvements	\$ 55,148	\$ 6,223	\$ -	\$ 61,369
Computers and related equipment	297,240	10,268	11,844	295,664
Vehicles	30,808	22,538	9,857	43,489
Other equipment	184,207	1,270	13,060	172,417
Total	<u>567,401</u>	<u>\$ 40,299</u>	<u>\$ 34,761</u>	<u>572,939</u>
Less accumulated depreciation	<u>362,755</u>	<u>32,244</u>	<u>34,729</u>	<u>360,270</u>
Net capital assets	<u>\$ 204,646</u>			<u>\$ 212,669</u>

Depreciation expense of \$32,244 was charged as follows: administration \$16,227, environmental health \$4,660, personal health \$4,848 and other \$6,509.

NOTE 6-- Leases

The Health Department has entered into an operating lease with the County of Tuscola for office space. The lease provides for monthly payments to the County to partially finance the County Building Authority's debt service requirement on bonds issued to finance construction of the Health Department Building. The total rental expense under this operating lease for the year ended September 30, 2005 was \$85,676. Lease payments are determined annually by Tuscola County.

The Tuscola County Health Department entered into a new operating lease agreement for a postage meter. Quarterly payments are \$474. The total expensed for the year ended September 30, 2005 was \$474. Payments under the old lease were approximately \$672.

Future minimum payments are as follows:

Year	Payment
2006	\$ 1,896
2007	1,896
2008	1,896
2009	1,896
2010	1,422
Total	<u>\$ 9,006</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Long-Term Debt

The following is a summary of long-term debt transactions of the Health Department for the year ended September 30, 2004:

	Payable 10/1/2004	Additions	Reductions	Payable 9/30/2005
Compensated absences	\$ 85,973	\$ 16,187	\$ 6,838	\$ 95,322
	<u>\$ 85,973</u>	<u>\$ 16,187</u>	<u>\$ 6,838</u>	<u>\$ 95,322</u>

NOTE 8--Risk Management

The Health Department has joined together with other local governments in Michigan to form Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool currently operating as a common risk management and financing program for member Michigan local governments. The Health Department pays an annual premium to MMRMA for its general liability insurance coverage. The Agreement for Formation of the MMRMA provides that MMRMA will be self-sustaining through member premiums.

The Health Department continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee dishonesty and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9--Retirement System -- MERS Operated

Plan Description

The Health Department's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Health Department participates in the Municipal Employees Retirement of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Funding Policy

The Health Department employees are required to contribute at an actuarially determined rate; the current rate is 3% of the first \$4,200 of annual payroll and 5% of portions over \$4,200. The Health Department is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The contribution requirements of the Health Department are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended September 30, 2005, the Health Department's cost of \$102,942 for MERS was equal to the Health Department's required and actual contributions. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the entry age normal actuarial funding method. The actuarial assumptions include, (a) an assumed rate of investment return that is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, (d) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement, (e) assumed rates of salary increase to project member compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System -- MERS Operated (continued)

Annual Pension Cost (continued)

Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
9/30/2003	\$ 30,848	100%	-
9/30/2004	\$ 75,202	100%	-
9/30/2005	\$ 102,942	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) (c)
12/31/2002	\$ 3,920,070	\$ 4,083,638	\$ 163,568	96%	\$ 1,189,628	14%
12/31/2003	\$ 4,300,960	\$ 4,478,686	\$ 177,726	96%	1,219,315	15%
12/31/2004	\$ 4,666,152	\$ 4,958,294	\$ 292,142	94%	1,171,612	25%

NOTE 10--Deferred Compensation Plan

The Health Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Health Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The related assets and liabilities are not reported in the Health Department's financial statements as the assets are placed with a trustee. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Health department's financial statements.

NOTE 11--Economic Dependency

The Health Department received approximately 34% of its General Fund revenue and other financing sources from the Michigan Department of Community Health. Due to the significance of this revenue source to the Health Department, it is considered to be economically dependent.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 12--Prior Period Adjustment

Fund balance at September 30, 2004, has been adjusted by a total of \$6,161. The fund balance was increased by \$690 for the Children's Special Health Care Service Program, due to full cost reimbursement under Title V/XIX for the fiscal years 2002/2003 and 2003/2004. An adjustment of \$5,480 was made to reflect the amount in the "Flexible Spending Account" for employee un-reimbursed medical expenses. The remaining amount (\$9) was due to a credit adjustment.

Had the accruals been made, the excess of revenues and other financing sources over (under) expenditures for the year ended September 30, 2004, would have been increased by \$6,161.

REQUIRED SUPPLEMENTAL INFORMATION

TUSCOLA COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Licenses and permits	\$ 196,935	\$ 200,850	\$ 210,356	\$ 9,506
Intergovernmental Federal/State	1,264,282	1,346,009	1,508,636	162,627
Charges for services	404,239	404,002	407,487	3,485
General contributions	10,983	10,445	10,402	(43)
Other	446	1,388	4,771	3,383
Total revenues	<u>1,876,885</u>	<u>1,962,694</u>	<u>2,141,652</u>	<u>178,958</u>
Expenditures				
Salaries and wages	1,280,895	1,292,774	1,296,129	3,355
Fringe benefits	374,405	374,655	372,739	(1,816)
Supplies and materials	144,664	188,946	354,978	166,032
Contractual	176,201	182,096	181,740	(356)
Legal	5,000	7,500	2,175	(5,325)
Health services	13,552	10,950	10,498	(452)
Telephone	17,058	13,917	13,164	(753)
Travel	60,038	61,426	66,375	4,949
Advertising	2,266	5,266	1,586	(3,680)
Insurance	27,270	29,140	29,599	459
Equipment repairs and maintenance	9,525	9,797	7,343	(2,454)
Central Service costs	18,238	13,463	13,463	-
Building lease and rentals	86,804	86,980	86,822	(158)
Capital outlay	9,000	49,111	40,299	(8,812)
Other	46,655	46,012	30,656	(14,356)
Total expenditures	<u>2,271,371</u>	<u>2,371,033</u>	<u>2,507,566</u>	<u>136,533</u>
Excess of revenues over (under) expenditures	(394,486)	(408,339)	(366,914)	42,425
Other Financing Sources				
Operating transfers in				
County appropriation in	375,486	389,339	389,210	(129)
Cigarette tax	19,000	19,000	23,653	4,653
Total other financing sources	<u>394,486</u>	<u>408,339</u>	<u>412,863</u>	<u>4,524</u>
Excess of revenues and other financing sources over expenditures	-	-	46,949	46,949
Fund balance-beginning of the year as previously reported	636,775	636,775	636,775	-
Prior period adjustment	-	-	6,161	6,161
Fund balance-beginning of year as restated	<u>636,775</u>	<u>636,775</u>	<u>642,936</u>	<u>6,161</u>
Fund balance-end of the year	<u>\$ 636,775</u>	<u>\$ 636,775</u>	<u>\$ 689,885</u>	<u>\$ 53,110</u>

The accompanying notes to the financial statements are an integral part of this statements.



Gardner | Provenzano Schauman & Thomas

REGISTERED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

December 15, 2005

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the financial statements, the governmental activities, of the Tuscola County Health Department as of and for the year ended September 30, 2005, which collectively comprise the Tuscola County Health Department's basic financial statements and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tuscola County Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Public Health
Tuscola County Health Department
December 15, 2005
Page Two

Compliance

As part of obtaining reasonable assurance about whether the Tuscola County Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Provencio, Schauman, & Thomas P.C.

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

MEMORANDUM FOR THE BOARD OF PUBLIC HEALTH

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 15, 2005

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the compliance of the Tuscola County Health Department with the types of compliance requirements as described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The Tuscola County Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tuscola County Health Department's management. Our responsibility is to express an opinion on the Tuscola County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tuscola County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tuscola County Health Department's compliance with those requirements.

Board of Public Health
Tuscola County Health Department
December 15, 2005
Page Two

In our opinion, the Tuscola County Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of the Tuscola County Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tuscola County Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Provenzano, Schauman & Thomas P.C.

Certified Public Accountants

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

SECTION 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified not considered to be material weaknesses?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified not considered to be material weaknesses?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number

93.268

93.235

Name of Federal Program or Cluster

Immunization Grants

Abstinence

Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

SECTION II – Financial Statement Findings

There are no matters to report.

SECTION III – Federal Award Findings and Questioned Costs

There are no matters to report.

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
<u>Michigan Department of Community Health</u>			
Family Planning (PCA 84630)	93.994	B1MIMCHS	\$ 12,215
Family Planning (PCA 84647)	93.217	05H000173	58,705
Immunization-IAP (PCA 88829)	93.268	H23 CCH522556	22,422
Immunization-Vaccine Handling	93.268	H23 CCH522556	1,837
Case Management Services (PCA 89720)	93.994	B1MIMCHS	10,999
Case Management Services (PCA 89770)	93.778	5XX05MI5048	7,584
Local MCH Block Grant (PCA 84577)	93.994	B1MIMCHS	43,366
AIDS/HIV Prevention (Fixed Unit Rate)	93.940	U62-CCU523464	2,062
SIDS Counseling (Fixed Unit Rate)	93.994	B04MCO2418	255
Vaccines Provided (Fixed Unit Rate)	93.268	H23 CCH522556	179,289
CSHCS Care Coord. Level II (Fixed Unit Rate)	93.778	B1MIMCHS	1,020
CSHCS Case Mge Level III (Fixed Unit Rate)	93.778	B1MIMCHS	202
Bioterrorism-Focus A (PCA 85804)	93.283	CCU517018	106,408
Bioterrorism-Focus B (PCA 85817)	93.283	CCU517018	52,472
Bioterrorism-Focus E (PCA 85847)	93.283	CCU517018	11,404
Bioterrorism-Focus F (PCA 85857)	93.283	CCU517018	367
Bioterrorism-Focus G (PCA 85867)	93.283	CCU517018	10,588
U.S. Department of Agriculture:			
<u>Michigan Department of Community Health</u>			
Women Infants and Children (PCA 84607)	10.557	XX4W1006	187,672
Family Independence Agency:			
Strong Families/Safe Children - T.L.C.Program	93.556	SFSC 03-79001	19,000
Children's Trust Fund - T.L.C.Program	93.558	CTFPR-04-79001	133,788
Environmental Protection Agency:			
<u>Department of Environmental Quality</u>			
Operator Certification	66.471	PCA 41813	11,375
Arsenic Rule Implementation	66.468	PCA 41838	375
Indoor Radon Grant	66.032	DEQ	500
Michigan Department of Education:			
Early-On Grant	84.181	Tuscola ISD	6,000
Early-On Grant IDA (Fixed Unit Rate)	84.181	Tuscola ISD	1,440
Great Start Funding - Baby Shower	84.181	Tuscola ISD	2,500
State of Michigan:			
<u>Office of Highway Safety Planning</u>			
Child Car-Seat Safety Program	20.600	CP-05-14	1,003
Other Grants:			
Michigan Abstinence Partnership-Community Action Plan - Tuscola Intermediate School Dist.	93.235	20041468-1	42,500
			<u>\$ 927,128</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

NOTE 1--Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tuscola County Health Department and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

NOTE 2--Reconciliation of Revenue Reported in the Financial Statements with

Expenditures of Federal Awards

Intergovernmental revenue		\$ 1,508,636
Less:		
Cost sharing	(222,787)	
State and local grants	(358,721)	(581,508)
		<u>\$ 927,128</u>